

SUPERMARKET BUSINESS

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Wegmans wins
Grand Award with
SUPERMARKET
BUSINESS entry in
**POINTS OF LIGHT
COMPETITION**



President George Bush congratulates (left to right) Ken Parich, SUPERMARKET BUSINESS; Allen Johnson, Wegmans; Gerald Hobbs, ABP; Robert Wegman, Wegmans, at White House awards ceremony (story on page 9).

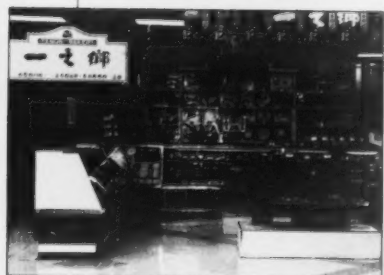
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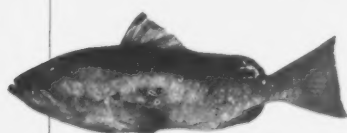
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INSTORE BABBLE



By Ken Parich,
Editor-in-Chief

Seldom do we really hear what is going on around us. Usually, this is a fortunate thing, because the general atmosphere is full of so much meaningless static. It is the brain's way of shutting out unneeded "information."

For example, New York is the financial capital of the country, if not the world, and so each morning CBS News reminds me that the London gold fix is up or down a fraction of a pfennig or a piece of yen. I don't know what I should or could do with that information since I own no gold, pfennigs or yen, and have no intention of trading my dollars for them. But somebody must. It's a way of reminding us who really runs New York, I suppose, the way the potato crop is news in Maine, sowbellies in Chicago, and corn in Kansas. It seems to be something we have to know to start each day. Probably in case it comes up at lunch. Like the latest baseball scores.

It is the same with miscellaneous business information. We are surrounded by it, but fortunately we seldom really hear it. Or all of it. We are automatically selective. Every now and then, however, the brain tricks you, and tunes in very loudly and clearly—just when you would have been just as happy to have been left alone. I do this with general magazines and books. And I am often startled by something that couldn't possibly make any sense, but there it is. Why me?

Recently, a publication called *The Best of Business Quarterly* found its way to my desk. I have never seen it before, and don't know how it got there. In it, there is an article that is adapted from a book I have been meaning to read but haven't as yet—"Whatever happened to Madison Avenue? Advertising in the '90s," by Martin Mayer.

As I recall, this book has gotten

good reviews, and has been well-received by the advertising community. I wish I could have left it at that, but no. This article had to come along and I had to read it. What caught my attention was that it's about brand loyalty, advertising and supermarkets. That's my business and your business.

It has some dandy quotes that I know you will be interested in. With companies such as General Foods, Kraft and Nabisco being bought for incredible amounts of money you might have thought that all this was to

Now that we have all but destroyed brand loyalty, we seem hell-bent on destroying the supermarket itself. Why?

get hold of the brands these companies own. But in this very article I am told that brand loyalty no longer exists, and that nobody has any faith that advertising really sells, anymore.

After discussing the incredible growth of cable TV and the loss of ad revenue from network advertising, the article states that "retail outlets were consolidating, and the arrival of the computer would dictate their move to centralized information control." Charles Peebler Jr. of Bozell [advertising] argued as late as the spring of 1990 that it hadn't happened yet: "Of the 25,000 supermarkets, scanners are being used in maybe 200 to control and replace inventory. All that money has been spent and they're only glorified checkouts. In one store we are aware of, there were 20,000 items, and only 11,600 of them were scanned in a given week. About 8,400 never

sold at all, and of the 11,600 that did sell 4,000 sold less than four units each. This gives advertising agencies a chance to assume a different kind of relationship with manufacturers and retailers."

"But Peebler was out of date," says the article. "From Vons to Jewel to Safeway to Publix," it goes on, "the big supermarket chains had bought their IBM systems and were busily evaluating the profitability of every inch of shelf space in the stores."

Here it is again. The "Star Wars" of modern marketing. Why do people who should know better want to believe this nonsense? Procter & Gamble, Philip Morris, Kraft General Foods and Budweiser have probably spent ten times more on DPP than all the supermarket operators combined. Why? Because it makes for a very good sales story. That's who wants DPP. It isn't worth it for most retailers. The payback isn't there. You don't have to be a computer-proficient merchandiser to know that a small compact product, such as a TetraPak, with a high gross margin and good turns, has a better DPP than a large, bulky, heavy, slow-turning package of anything.

There is much to know and to be learned about controlling and replacing inventory. Aside from controlling the front end and scheduling people and manhours, it is probably the most important thing about operations to know. But it doesn't happen just because your stores now all have scanners, as you well know.

The problem I have is that most knowledgeable people in this industry know that the U.S. market is unique because its consumers are savvy, brand-aware and brand-conscious as in no other market in the world, and that good advertising helped make them that way. That's why Europe is

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**Fish aren't
foul...but when
will more shoppers
believe it?**



FRESH FISH AND SEAFOOD 1991 DEPARTMENT OPERATIONS REVIEW

BY DAVID LITWAK AND
JANET TORRES CEPEDA

■ It has been years since supermarkets got into the fresh fish and seafood business in a serious way. But despite the manpower, dollars and square footage invested, key factors continue to hamper both the image and performance of the departments.

Business at the seafood counter has not improved in proportion to the well established market for lighter, more healthful entrees. Evidently, the problem relates both to the product itself and the way supermarkets handle it—pointing yet again to the need to educate consumers, and gear operations and selling techniques to the special require-

ments of the category.

Yes, retailers have heard that tune before. But are they singing along? And if so, are consumers listening?

Sales of fresh fish and seafood through supermarkets reached \$3.72 billion last year, an increase of only 2.6% over 1989's total of \$3.63 billion, a lackluster showing at a time when so many Americans are looking for opportunities to lower the fat and cholesterol in their diets.

Also consider that in 1989, seven percent of all transactions in supermarkets with fresh fish departments included purchases from those sections. In 1990, that frequency dropped to 6.4%. So retailers are having a hard time both developing new

seafood customers and getting the existing ones to increase their purchases.

For what it's worth, supermarket operators can take some comfort in a couple of points. The first is the profit picture, with retailers reporting that fish/seafood departments doing two percent of total store sales contribute about 5.6 percent of total profit, based on an average gross margin of 31.4 percent.

The second is that independent seafood shops fared no better than supermarkets in boosting volume last year. Combined sales through supermarkets and specialty stores grew by only 2.3 percent in 1990. Considering that the price of fresh fish and seafood

Despite the proven interest in lighter, more healthful eating, sales of fresh fish and seafood remained flat, amid consumer concerns and industry shortcomings.

rose 3.4% for the year, according to the Consumer Price Index, it appears that tonnage was actually down by 0.8 percent last year.

Looking at yet another measure, the per capita consumption of fish/seafood slipped slightly to just 15.5 pounds last year, including both retail and restaurant consumption. So it is clear that all segments of the food industry are still swimming upstream in the effort to entice consumers to buy and eat more seafood.

Help the consumer:

Despite the industry's efforts thus far, many consumers are still not used to including fish and seafood as a staple of their diets. A large portion of the population was not raised eating fish on a regular basis, and thus has never acquired a taste for it.

And many find it hard to change that, because they have little or no familiarity with varieties beyond the perennial customer favorites, or how to prepare them. This has been well documented in the past, but little has been done to remedy the situation, as indicated by the continuing profile of the department's sales.

What's Selling?

Roughly 30 percent of category volume is done in slrimp, far and away the department's lead seller. Lobster accounts for seven percent of sales, while another 43 percent are provided by less than 10 of the most popular and familiar varieties of fish.

Nobody's complaining about brisk sales of those items, given the tasty margins they provide. But such concentrated demand coupled with the uncertain nature of the available "catch" can irritate shoppers who assume that the seafood section can have the same consistency as the meat

CENSUS, SALES & MARGINS

With over 46% of the nation's supermarkets selling fresh fish and seafood, sales dollars reached an all-time high in 1990, totalling \$3.72 billion. While this represented an increase of 2.6% over 1989's sales of \$3.63 billion, it was almost exclusively due to an increase in the retail price of the products.

The average weekly sales of the department were also up slightly last year, reaching \$5,757. Most operators (62%) did report an increase in their fish/seafood sales during 1990.

The department is profitable. Retailers report that the department generally contributes roughly 5.6% to the total profit of a store, based on an average distribution of just 2.23% of the store's total sales. An average department gross margin of 31.4% has helped maintain this profitability.

Fish/Seafood Units

No. of supermarkets selling fresh fish/seafood	14,230
Percentage of all supermarkets	46.3%
Number of fresh fish/seafood departments opened during last 12 months	230

Average Weekly Sales

Mean \$5,757	Median \$4,530
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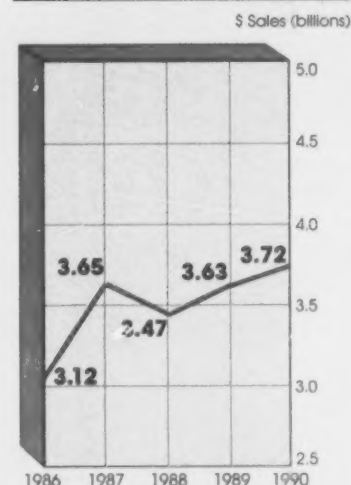
Changes In Dollar Sales

(1990 vs. 1989)	
Higher	64%
No Change	27
Lower	9
Total	100%

Sales and Margins

Share of Total Store Sales	
Mean 2.23%	Median 2.46%
Gross Margin	
Mean 31.4%	Median 29.7%
Contribution to Store Profit	
Mean 5.6%	Median 5.00%

Annual Sales



Do You Consider Your Fish/Seafood Departments:

Traffic & Image Builders	42%
Both image builders & profit centers	58
Total	100%

SPACE & LOCATION

There was modest growth in the size of the average service fish/seafood department last year. On average, the section grew 60 sq. ft., bringing its size to 640 sq. ft. The department in a superstore averages about four times the size of the section in a conventional unit.

Size of Department

Full-service department	
Mean	640 sq. ft.
Median	590 sq. ft.
By Store Format	
Conventional	180 sq. ft.*
Superstore	750 sq. ft.

*Includes self-service fish/seafood departments

Sales Per Square Foot

Mean weekly sales per sq. ft.	\$8.99
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Location of Department

Adjacent to meat dept.	65%
Separate from meat dept.	35
Total	100%

department. And because customers are wary of substitute items they know little about, the absence of their favorites often means no sale at all.

The situation also heightens the product rotation and shrink issues particularly relevant to this spoilage-sensitive category. With just a handful of items accounting for 80 percent of volume, and with operators reporting that they carry

some 34 selections at a given time in today's more complete departments, what's happening to the many slow movers this scenario suggests?

Going to the Source

Retailers acknowledge that they need expert help not only in the consumer education process, but also in operations and merchandising as well—and they view their suppliers

as the logical source of that assistance in each of those areas.

In fact, 83 percent of those surveyed said they wanted greater participation by vendors in cooking demonstrations and sampling programs, and 75 percent requested greater assistance from them in training seafood department employees in the knowledge, handling, preparation and mer-

Supermarket operators can take some comfort in the knowledge that retail fish stores had just as much difficulty trying to increase sales as they did.



LABOR & SERVICE

There was an increase in the number of employees manning the fresh fish/seafood section in 1990. On average a department operated with the equivalent of 3.3 full-time employees. This was an increase from 2.5 employees in 1989. More value-added products and services spurred this jump in staffing.

With the increased need for employees, the need for training those personnel has become more critical than ever. Three-quarters of the retailers now have formal training programs in place for their seafood employees. In the vast majority of companies, it is left to the department manager to carry out the training.

In only about 17% of the companies does the seafood supplier lend any significant assistance in the training of department employees. Retailers are looking to suppliers for a lot more help in this function.

Number of Employees

Full-time	1.6
Part-time	3.4
Full-time equivalent*	3.3

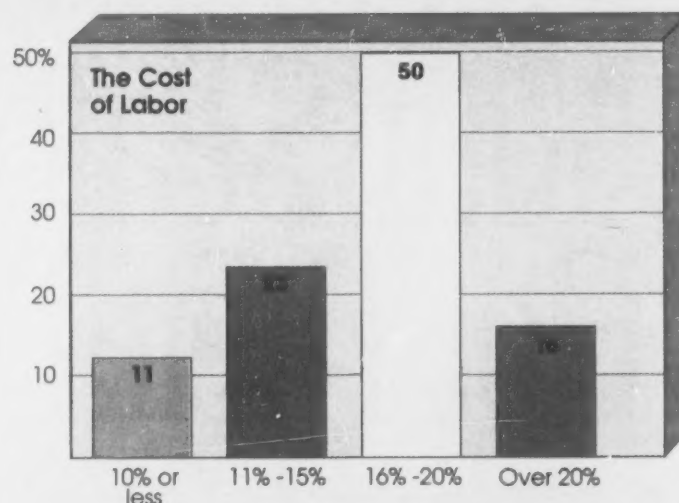
*Two part-time=one full-time employee

How Much for Labor?

(as a percent of sales*)

Mean 14.5%	Median 13.9%
100% of Departments*	

*Includes both service & self-service depts.



Employee Training

Have formal fish/seafood training program	75%
No formal fish/seafood training program	25
Total	100%

Who Is Responsible for Training?

(Includes multiple answers)

Department Manager	83%
Corporate Trainer	53
Seafood Supplier	17

How Is Your Fish/Seafood Department Managed?

Managed:

As separate dept.	62%
As part of meat dept.	38
Total	100%

Companies Want Supplier Help

In Consumer Education	100%
Demonstrations	85%
Employee training	75%

chandising of the various species—especially those with which most shoppers lack experience.

Just how many people does it take to man the fish/seafood department these days, and what kind of instruction are they getting?

The average department in

1990 was run by the equivalent of 3.3 full-time employees, actually comprised of 1.6 full-time employees and 3.4 part-timers.

The added manpower in last year's fish department reflects the addition of more value-added products, and more of a service orientation. With con-

sumer confidence in their ability to cook seafood far from booming, part of the answer may indeed lie in greater on-site preparation. Last year, fully or partially-prepared items accounted for about 11 percent of total seafood sales. In all, it generally costs the department 14.5 percent of its

sales to cover labor costs.

As for training, three-quarters of the retailers say they have a formal training program in place for their fish department employees. Eighty-three percent of the companies responding rely upon their department managers to administer training directly, while 53 percent reported the availability of corporate trainers to assist in the function. Only 12 percent said suppliers were providing training assistance, while as mentioned earlier, some 75 percent feel that vendors should be lending their expertise to the process.

With customers more prone to worry about freshness and safety in this department than any other, perhaps the key emphasis of training should be product handling and sanitation. Keeping the sections fresh looking and fresh smelling is an operational factor that also doubles as a key merchandising tool. Unlike the aroma rising from an instore bakery, "fishy" odors wafting through the store from the seafood department can have disastrous effects throughout.

Better product handling and merchandising not only improves aesthetics, but also helps to minimize departmental shrink through waste and spoilage. Retailers report an average seafood shrink rate of 7.4 percent, but the figure is much higher in some operations, and it is probably underestimated as an average.

Footage for Fish

The size of the fresh fish and seafood department has not changed much in the last year. On average, a full-service department runs about 640 sq. ft. This is only about 40 sq. ft. larger than the average department was a year ago.

Because of the nature of the stores, and what they are try-

Keeping the sections fresh looking and fresh smelling is an operational factor that also doubles as a key merchandising tool.

ing to achieve, the size of the fish department varies significantly among store formats. The average department in a conventional store measures about 180 square feet, while its counterpart in a superstore averages more than four times that size.

That striking difference is not merely in proportion to differences in total store size. Rather it reflects the different merchandising approach and image considerations of the superstore, particularly the more upscale variety. These are located in areas where customer demographics would theoretically bode well for potential seafood sales, and where impressive variety on the whole increases shopper confidence in the quality of the merchandise.

The Price of Image

But regardless of image value, a continuing string of flat seafood volume years may make further space allocations more difficult for department directors to justify. In 1990, with departments slightly larger, weekly sales per square foot decreased to \$8.99 from the prior year's \$9.53—not encouraging for managements that grade their departments strictly in terms of return on investment.

One thing that seafood experts and retailers have learned is that you can't force-feed seafood to the American consumer, no matter how hard you promote it. The process by which tastes change is a long, gradual one. In the case of fish, it may have to happen one species at a time.

In recent years, foodservice operators have taken the lead over retailers in achieving what success there has been in mov-

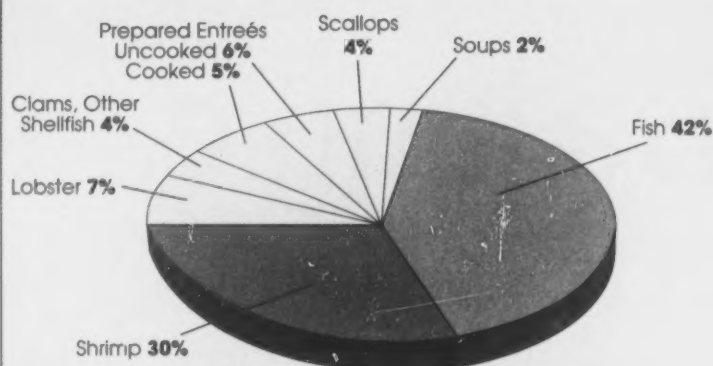
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PRODUCT MIX

The various species of fish together account for 42% of the sales of the department. This is down slightly from the 44% fish brought in the year before. Shrimp is still a dominant factor in the sales portioning of the section, in itself accounting for 30% of the total sales of the department.

Prepared fish and seafood items are still emerging as important products for the department. Both fully prepared and partially prepared items now account for 11% of the section's sales. These entrees are a big selling point, especially with convenience conscious consumers, and those who may not be familiar with fish preparation.

Portioning Out the Fish/Seafood Sales Dollar



How Do You Sell Lobsters?

(includes multiple answers)

Live	93%
Sell Live & Then Cook in Store	67
Frozen	34
Prepared before purchase	33
Refrigerated	10

Fresh vs. Frozen

Percentage of fish/seafood sold	
Fresh	73%
Frozen	27
Total	100%

How Many Varieties Of Fish/Seafood Do You Generally Stock?

Mean 34	Median 25
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MERCHANDISING CUSTOMERS & SUPPLY

Slightly more than 6% of the weekly transactions in a store that has a fresh fish/seafood department include a purchase from that department. This statistic is disappointing to operators, as they search for ways to entice consumers to purchase fish more often.

The average amount of a transaction in the fish/seafood section is \$6.26. This is up from the year before, although retail price increases are the primary reason for the change.

Service is the watch-word in selling fish and seafood. Eighty-two percent of the sales move through service counters.

How Customers Spend

Percent of Store Transactions Including A Fish/Seafood Purchase

Mean 6.4% Median 6.0%

How Much They Spend

(per transaction)

Mean \$6.26	Median \$6.00
Under \$3.00	2%
\$3.00-\$4.00	20
\$4.01-\$5.00	28
\$5.01-\$6.00	35
Over \$6.00	15
Total	100%

Service vs. Self-Service

(In service fish/seafood departments)

Percentage of Sales Through:

Service	82%
Self-service	18
Total	100%

Supply

Percentage of fresh fish/ seafood bought from:

Specialty fish/seafood wholesaler	88%
Other (incl. grocery wholesaler)	12
Total	100%

Shrink

Percentage of sales lost to shrink

Mean 7.4% Median 8.0%

ing fish into the mainstream.

Such restaurant chains as Red Lobster and Long John Silver have been more successful than even the fast-food operators when it

comes to selling fish.

It may very well be that over the long run, supermarkets will benefit from the success of the restaurants. Once consumers have acquired a taste for fish and seafood in the restaurants,

they may—with the proper level of care and assistance from the supermarket—be more willing to prepare it themselves.

The questions: How long will it take, and can supermarkets afford to wait? ■